

## Call for public inputs on the draft “Procedures for regarding the correction of significant deficiencies and the excess issuance of CERs”

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### Re: Call for public inputs on the draft “Procedures for regarding the correction of significant deficiencies and the excess issuance of CERs”

I would like to thank to the Executive Board’s for its opportunity to stakeholders in contribution to CDM sustainable development. In response for five topics suggested by the Board, below are suggestions for consideration:

The Board requests input on the following:

- a) Whether the draft procedure complies with the decisions of the CMP. If stakeholders consider that the provisions of the procedure do not comply with decisions of the CMP, a detailed explanation should be provided;
- In general the draft procedure complies with the provisions of the decision 3/CMP.1. In order to the transparency in suspension or withdrawal of a DOE, the procedure should take a note on para 23 (3/CMP1): any suspension or withdrawal of a DOE that adversely affects registered project activities shall be recommended by the Executive Board only after the affected project participants have had the possibility of a hearing.
- b) Specific suggested revisions to the decisions of the CMP. In particular, the provisions for identifying and correcting significant deficiencies contained in validation, verification and certification reports;
  - As the CDM has been developed by a “learning by doing” process, liability for excess issuance of CERs should be based on proven mistakes by PPs or DOEs. It is not subjective if liability is assigned on the basis of incompetence in a process.
  - However the procedure will request the DOEs to validate CDM project strictly and procedurally and the PPs will have to report the project information in precise manner if they don’t want to be suspended or withdrawn.
- c) Market implications if the draft procedure was adopted. In particular, any increased costs of conducting validations and verifications, including an explanation for the opinion;
  - If this procedure will be issued, the DOEs will feel stressed when conducting any validation and so they can charge a higher validation fee to the project participants. While the carbon market post 2012 is uncertain then this procedure will limit the development of CDM in developing countries, especially in Least Developed Countries.
  - New operational entity will be not willing and happy to become a Designated Operation Entity, while existing DOEs will be able to remove from this market.

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- It will be difficult to find DOEs who have sufficient knowledge of the rules, guidelines, methodologies to review the reports prepared by suspended DOEs while they have not been involved in on-site audit.
  - If the situation where the DOEs will have to check each other (appointed DOE will check suspended DOE) the supply of DOE resources will be decreased, likely increasing prices and also reducing their ability to register projects and verify CERs
  - The DOEs will be more conservative in any its validation services which can make a longer validation process or delayed and the DOEs themselves will be not confident to make any decision relevant to request for registration if no previous DOEs made similar requests (i.e where the DOE makes a validation the emission factor of the grid is not available then the DOEs can make this project pending until the host country issues a official emission factor).
  - The Buyer will have to spend more time and money to assess the capability of DOE prior the validation service.
  - The DOEs will only prefer to validate simply methodologies as AMS.D, ACM0002 to avoid the risks for validation, registration and verification. And in doing so, the CDM projects applying new or difficult methodologies as ACM0012 or ACM001 etc will be limited.
  - The carbon credit investors will be conservative in investing CDM projects.
  - The compliance buyers can encounter the incompleteness of emission reduction target due the deficiency of CERs issued if the DOE who was responsible for validation has been suspended.
- d) Specific suggested revisions to the decisions of the CMP and the draft procedure that would lessen the market impact, while upholding the general principle that excess-issued CERs should be replaced.
- The CDM Assessment Team appointed by the Board should directly review the deficiency or excess of CERs caused by the DOE whose accreditation has been suspended or withdrawn in stead of other DOE who is assigned by the Board. This is because that the Board cannot control the processing between the DOE whose accreditation has been suspended and the appointed DOE when they work together to make the corrections. The assignment for other DOE to check the products generated by suspended DOE will make procedure very complicated and the corrections will become very slow.
  - Alternatively, should the Board determines that if the deficiency or excess of CERs corrected can lead to the failure of additionality of the Project it can immediately suspend the registration of the Project under review or reject the Project to avoid the issuance of fake CERs and waste the time and cost for make a correction.
- e) Specific suggestions for what should be done in a situation where a project participant provides false or misleading information to a DOE, and that information led to the excess-issuance of CERs.
- Should the Board is detective that the project participant or CDM consultant who is willful to provide wrong information to a DOE and that information led to the excess-issuance of CERs it should suspend the CDM consultant to be not permitted to submit the PDD for validation until the excess of CERs of the Project developed by that CDM consultant is successfully addressed. In doing so,

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it will prevent the CDM Consultant from providing misleading information and work more truly. Moreover, all the registered CDM projects developed by that CDM consultant shall be placed under review to check the deficiency or excess of CERs.

In addition, it is suggested that the Board should make an more exact definition on the deficiency or excess of CERs in quantifiable manner (i.e  $\pm 20\%$  of CER compared to registered PDD). Also it should define clearly how the significant deficiency or excess of CERs is in quantifiable manner?

It is noted that while developing this procedure the Board should take into account the Annex 67, EB48 which was issued previously.

Best regards,

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